

BUDGET PRESENTATION

**Senate Budget & Taxation Committee
Health and Human Services Subcommittee
By Jean W. Roesser, Secretary
Maryland Department of Aging
January 30, 2006**

Madame Chair, members of the Committee, I am pleased to present to you the Fiscal Year 2007 budget for the Maryland Department of Aging. We applaud Governor Ehrlich for increasing MDoA's budget for FY 2007. This – and your – fiscal prudence and a strong economy have enabled increases in the State - and MDoA's - budget.

The Department of Aging administers its programs in partnership with the 19 local Area Agencies on Aging throughout the State. As an aging network, we are committed to assuring choice, independence and dignity for older Marylanders.

As I discuss the FY 2007 budget, please keep in mind that we face a phenomenal challenge: the aging of the baby boomers. On January 1 of this year, the first of the baby boomers turned 60. This is the beginning of the aging boom that within the next twenty-five years will double the number of Marylanders over the age of 60 – to 1.7 million people or about 20% of the State population. We are now fast approaching 1 million seniors – up from 800,000 in the year 2000.

For FY '07, we are requesting \$23,876,594 in State funds. This amount reflects an increase of \$3,240,549 over FY '06

The FY '07 budget includes:

- An additional \$1.1 million in the Senior Assisted Living Group Home Subsidy Program (SALGH), which will virtually eliminate the waiting list for these services. This increase brings the program to **\$3,454,929**. SALGH provides a subsidy for low and moderate-income people who reside in 4-16 bed assisted living facilities and who need 24 hour supervision. This program provides a critical safety net for people who are unable to live on their own but who cannot afford monthly fees of \$2000 and more per month. This increase will enable MDoA to serve 330 people on the waiting list. We know two things about those on the waiting list: (1) they are frail, and (2) their incomes are less than the \$25,000 cost of assisted living. Without this funding, many of those on the waiting list will have to make the agonizing decision to enter a nursing home. At an average annual cost of \$58,000/year for nursing home care versus the \$6,600 maximum annual SALGS subsidy we can readily see the cost-effectiveness of this program.

- \$750,000 in new funding for Senior Care to assist an additional 293 more seniors. This increase brings the Senior Care program funding level to \$7,266,354. Senior Care is a valuable and cost-effective program that provides coordinated, in-home services to frail seniors to help them remain at home in the community. The average cost to serve a Senior Care client per year is \$2,563, compared to over \$58,000 for nursing home care. Last year, 12% of people

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on the Senior Care waiting list were placed in nursing facilities. These additional funds will assist us to serve the neediest people on the waiting list.

-An additional \$400,000 in Nutrition support targeted to homebound seniors to serve an additional 400 seniors.

The Senior Nutrition Programs (Congregate & Home Delivered) provide meals through the local Area Agencies on Aging and are targeted to low-income seniors and to seniors who are homebound and/or seniors with disabilities. State funds supplement the federal dollars and meet the requirements for a match of federal Nutrition Services Incentive Program (NSIP) funds. The State funds are used to purchase meals. The increase proposed by the Governor brings this program's funding to \$1,849,126.

-An additional \$2 million for the Older Adults Waiver (in the Medicaid budget), two new positions for MDoA's quality assurance activities, and an additional \$92,000 for Administrative/case management support.

We are pleased that Governor Ehrlich has made Waiver expansion a priority for the second consecutive year. This program, which is supported with both State and federal funds, was created in response to the need to provide home and community based services in order for seniors to be cared for outside of nursing homes. The services provided to Waiver participants are funded through DHMH, and the Department of Aging funds case management and other local administrative functions performed by the Area Agencies on Aging. Overall, we are responsible for 2900 people, more than 3000 providers, and 19 case management agencies (the AAAs) throughout the State. It should also be noted that there are over 7,000 people on a waiting list for the Waiver.

Increasing requirements of the Centers for Medicare and Medicaid services (CMS) related to Waiver quality management system have impacted our workload. The need for additional financial and administrative oversight was also underscored in the recently completed audit of MDoA by the Office of Legislative Audits, which recommended that MDoA increase its monitoring activities of the Waiver. In order to meet new CMS requirements and the audit recommendations, MDoA requires additional staff. The two (2) full-time (FTE) positions will be responsible for the following:

- Conducting routine audits of providers records to ensure compliance with COMAR regulations and to determine the integrity of claims submitted
- Assisting with the development of a data collection mechanism that will assist MDoA in effectively monitoring expenditures made to both providers and AAAs
- Monitoring the timeliness of Waiver eligibility determinations and re-determinations
- Ensuring the quality of the waiver provider network
- Conducting essential training for waiver providers
- Conducting onsite audits of Area Agencies on Aging (AAA) to ensure compliance with COMAR regulations and grant agreements

These positions will enable the State to save money by addressing problems on the front end rather than pursuing recovery actions after the fact. We have been involved in a number of recovery actions, which can require hundreds of hours of MDoA staff time for claims analysis, and documentation before the recovery action may be initiated. Although DHMH has succeeded

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in securing recoveries, the amount of money ultimately returned to the State is usually a fraction of the total.

We respectfully disagree with the analyst's recommendation to delete one of the two proposed positions. It should be noted that the two contractual conversions referred to in the analysis are existing positions involved in processing provider claims – not in the quality assurance function that the two new PINs were requested to fill. Last year, the federal government rescinded a Medicaid Waiver for assisted living in the State of Virginia due to the State's inability to assure quality of covered services.

-An additional \$500,000 for the Naturally Occurring Retirement Community, or NORC, initiative that addresses one of the most challenging problems in the aging field: how to help low-to-moderate income seniors remain in their homes and community settings for as long as possible. NORC is the term given to communities characterized by a unusually high-density older adult populations, communities that were not specifically planned as aging communities but “morphed” into an older community over time as residents aged in place. This is a common phenomenon in many suburban areas of the state where people moved following WWII to raise their children. The children have moved on to their own homes and the suburbs are graying. Mom and Dad, now in their 70's and 80's, are determined to stay in their home.

Sadly, not everyone is able to stay in their home when their health starts to decline and they can no longer drive themselves to the doctor and the grocery store. The NORC is an innovative and cost-effective mechanism to serve a large number of people in a specific geographic area, which can make an important contribution to the state's response to the aging baby boomer dilemma and the aging in place preference of seniors.

We are fortunate to have two successful models in Maryland, one in Northwest Baltimore and one in Montgomery County, that were started with seed money from the federal government. The continuation and expansion of these projects will make available best practices and guidelines that could benefit other communities in the State that seek to replicate these models.

We have been asked to comment on the social benefit of establishing a NORC program as opposed to increasing the funding for existing programs, such as Congregate Housing and Senior Centers. The NORC addresses the needs of seniors where they are and does not require them to move to receive services. It does not duplicate existing programs; rather it creates an infrastructure through which individuals in the community can access these services. ***There is no one right way to meet the needs of our growing older population.*** The NORC is one of a number of creative tools that will be needed, along with Congregate Housing and Senior Centers and a number of other important services, to give older Marylanders opportunities to age in place with the choice, independence, and dignity they deserve. ***I hope you will consider the value that the NORC initiative has to our aging communities and will keep the proposed funding in our budget.***

Federal Funds

We estimate that the Maryland Department of Aging will receive \$25,642,734 from the federal government. This represents slightly more than one half of the Department's budget.

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These funds come from the federal Administration on Aging through the Older Americans Act, and the Centers for Medicare and Medicaid Services. Ninety-five percent of Older Americans Act funds pass through the Department and are used by the 19 Area Agencies on Aging to provide services to seniors. These services include in-home services; such as personal care, homemaker, chore and respite services; access services, which include information and assistance, transportation, case management, outreach, and legal assistance.

Older Americans Act funds also enhance State funding for the Long-Term Care Ombudsman program. The Ombudsman program ensures that residents of nursing homes and assisted living facilities have recourse when abuse or neglect is suspected. The Ombudsman program in Maryland is run with at least one staff person in each Area Agency on Aging and approximately 140 volunteers. The budget analysis noted that reports of abuse investigated and closed have gradually increased in recent years. This is due in large part to the fact that an increase in State funding to the program has allowed a stronger presence in long-term care facilities, thus leading to increased reporting.

The largest portion of the Older Americans Act funds is used for two major nutrition programs.

- In FFY '06 about \$8,530,000 will be used to serve over 1.5 million meals at senior centers, senior apartment houses, and small nutrition sites. Nutrition education and counseling are provided for seniors. In addition to good nutrition, the meals provide the opportunity for seniors to socialize, which is so necessary in counteracting isolation and depression.
- Nearly \$3,000,000 will be spent in FFY '06 on the home delivered meals program. This program will bring nearly 1.4 million meals to seniors in their homes. These meals are delivered in every county through a vast network of volunteers.
- About \$366,000 in Older Americans Act funds are used at the local level for Health Promotion programs, such as nutrition education, nutrition counseling, health screenings, physical activities, health education, and medication management.

Over \$2,400,000 of Older Americans Act funds will be used in the 24 jurisdictions for ***Caregiver Support Services***. These services, specifically for family caregivers, include:

- (1) Information about available services;
- (2) Assistance in gaining access to services;
- (3) Individual counseling, organization of support groups, and training to assist caregivers in making decisions and solving problems;
- (4) Respite care to give temporary relief from the consistent stress of caregiving for the health and well-being of family members; and
- (5) Supplemental services, on a limited basis, such as assistance with obtaining medical equipment and medical supplies.

Medicare Part D Implementation

The Medicare Program has just undergone its most significant change since it was established in 1965. On January 1, 2006, Medicare began offering coverage for prescription drugs through Medicare Prescription Drug Plans. Medicare beneficiaries in Maryland must navigate their way through a maze of 47 different prescription drug plans in order to have access to this first time ever benefit, or determine if they had equal coverage. Many of these beneficiaries have looked to MDoA or their Area Agency on Aging (AAA) for help in understanding the new benefit and guidance in making their enrollment decisions.

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The rollout of the new Medicare Prescription Drug Part D Plans has created unprecedented demands for assistance from the ***Senior Health Insurance Assistance Program (SHIP)***. To address this demand, the Department of Aging and AAAs enhanced their ability to handle the increased call volume by training additional staff. The Department trained 30 staff who directly assisted with nearly 500 of the 2,700 calls that were received at the Department, including requests from individuals who lost their Medicaid and Pharmacy Assistance Program coverage and many others who qualified for extra assistance from the Social Security Administration. Additionally, AAAs held hundreds of training sessions for beneficiaries in every corner of the State. AAAs have handled more than 13,000 calls, and assisted with enrolling more than 4,000 Medicare beneficiaries.

In addition to responding to calls, MDoA and AAAs provided numerous outreach sessions to the public. MDoA coordinated 13 training sessions statewide targeted to professionals who could assist beneficiaries. About 1,000 people attended. AAAs provided more than 650 public education and enrollment events, as well as radio shows, public service announcements, mailings, and exhibit booths. ***The volume of calls and presentations in the last four months (October through January) has exceeded the total volume handled in the entire FY 05 period.***

From July 1 to December 31, 2005, there have been:

- 12,269 contacts, each averaging 92 minutes (compared to 13,150 contact in the entire previous year).
- Call volume increase by 1,000 calls in November (1,890 to 2,853) and again in December (to 3,876).
- SHIPs have also provided 659 public education and enrollment events in the same time period (compared to 528 session in the previous year)
- MDoA and SHIPs have assisted 4,283 people with enrollment, either by phone or at public events
- There are over 294,000 Medicare beneficiaries in Maryland whose drug coverage status is unknown,
- Another 80,000 are enrolled in Part D plans, including people formerly enrolled in Maryland's Pharmacy Assistance and Discount Programs, Qualified Medicare/Special Low-Income Medicare Beneficiaries (QMB/SLMB), and members of Maryland's Senior Prescription Drug Assistance Program (SPDAP)
- Another 56,000 are dually eligible, that is, receiving Medicare and Medicaid benefits, and
- Another 119,000 are in employee plans, those that have "creditable coverage".

CAMM – Curb Abuse in Medicare and Medicaid

The Department administers a grant that we call "Curb Abuse in Medicare and Medicaid" or CAMM, which is part of a nationwide initiative, "Senior Medicare Patrol Projects." The purpose of the CAMM project is to reduce the amount of federal and State funds lost due to health insurance fraud by increasing the public's ability to detect and report possible fraud, waste and abuse. This is particularly important during the roll out of the new Medicare Part D Prescription Drug Program.

White House Conference on Aging (WHCoA)

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The fifth White House Conference on Aging was held in December 2005. These conferences, convened every ten years, are intended to identify priority public policy issues in aging and map out a plan to address them in the upcoming decade. Twenty-nine Marylanders served as Delegates to the Conference including Deputy Secretary Baker, Commission on Aging Chair Louise Gulyas, and myself. Also appointed were Carol Lienhard, Director of the Harford County Area Agency on Aging and President of the Maryland Association of AAAs and Arnold Eppel, who directs the Baltimore County Department of Aging, Sherree Marshal, Director the Somerset County Commission on Aging, and Patricia Bayliss, the Maryland Ombudsman.

The Department conducted two pre-Conference meetings to prepare for the Conference. Working with the Maryland Delegates and other stakeholders, we developed 12 Resolutions, which were sent to the WHCoA Policy Committee for consideration. ***Many of Maryland's Resolutions were mirrored in the top ten Resolutions finally adopted at the Conference, including a call to amend the Older Workers Program funded under the Older Americans Act. As noted in the budget analysis, regulatory changes adopted by the Department of Labor about a year ago, including restrictive eligibility and increased placement requirements have made the program extremely difficult to administer.***

Long Term Care Awareness Campaign

We are pleased to have been selected by the federal government to participate in the second phase of a *Long-Term Care Awareness Campaign* designed to increase awareness of the importance of planning ahead for future long term care needs. Many individuals underestimate the risks and costs of long-term care until it is too late. Maryland, like most other states, is concerned that the demands for long-term care will exceed its public resources, as Medicaid is the primary payer of long term care. We believe that encouraging personal financing and other planning activities may reduce the burden on public sector programs such as Medicaid.

Under this campaign, a letter will be mailed to approximately 600,000 households with a member between the ages of 50 and 70 inviting them to request a planning kit that has been provided by the federal government. ***Unfortunately, the opportunity to apply to participate in phase II of the campaign was not offered to states until the Fall of 2005, making it necessary for MDoA to request a deficiency appropriation to pay for the printing, postage, and staffing to administer the campaign.***

Promising results, including increased long-term care insurance coverage, were reported by the five states that participated in Phase I of the campaign last year (Arkansas, Idaho, Nevada, New Jersey, and Virginia). We look forward to similar results when Maryland's campaign kicks off in the coming months.

Aging and Disability Resource Center/Maryland Access Point

The Department of Aging's work on the Maryland Access Point (MAP) underscores the importance of providing the public with more efficient access to information and quicker access to services for seniors, persons with disabilities, their caregivers, and the professionals who serve them. One of the goals of the MAP initiative is to develop a new statewide Internet-based information system that will provide people with easy access to information about long term support resources in Maryland. The Department is about to issue an RFP for the new website to

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be launched in 2006. The website will be modeled after successful websites in other states, e.g., Arkansas <http://www.argetcare.org> and Hawaii www.realchoices.org

The MAP website will:

1. Create a one-stop shopping center for consumers and their advocates to locate long term care and support information, and
2. Enable the development of an on-line application for Medical Assistance and other long-term support programs to expedite eligibility determinations.

The MAP website will also directly complement the Long Term Care Awareness Campaign

We urge you to adopt the recommended FY 07 budget which will provide substantial help in meeting the critical needs of older Marylanders including the surge of vulnerable elderly individuals throughout the State.

Thank you.

Department of Aging

Response to Issues Raised by the Budget Analyst

FY 2007 Budget

Recommended Actions:

1. *Delete general funds for the Naturally Occurring Retirement Communities program.*

The Department respectfully disagrees with this recommendation. **We have been asked to comment on the social benefit of establishing a NORC program as opposed to increasing the funding for existing programs, such as Congregate Housing and Senior Centers.** It does not duplicate existing programs; rather it creates an infrastructure through which individuals can remain in their community and access these services. **There is no one right way to meet the needs of our growing older population.** The NORC is one of a number of creative tools that will be needed, along with Congregate Housing and Senior Centers and a number of other important services, to give older Marylanders opportunities to age in place with the choice, independence, and dignity they deserve. **The Department requests that the Committee consider the value that the NORC initiative has to our aging communities and support the proposed funding in our budget.**

2. *Delete one of the two proposed new positions to add to the quality assurance staff for the Medicaid Waiver for Older Adults program.*

The Department respectfully disagrees with the analyst's recommendation to delete one of the two proposed positions. **It should be noted that the two contractual conversions referred to in the analysis are existing positions involved in processing provider claims – not in the quality assurance function that the two new PINs were requested to fill.** These two positions are needed in order to comply with increased CMS requirements for quality assurance and with the recommendations of the legislative auditors.

3. *Reduce hold harmless Allocation.*

The Department respectfully disagrees with the analyst's recommendation to reduce the hold harmless allocation. While the \$52,770 in hold harmless funding was not needed for FY 06 to hold harmless the rural area agencies on aging from reductions due to an unexpected increase in federal Older Americans Act funds, it was reallocated to Baltimore City. Baltimore City lost more Older Americans Act funds due to the 2000 Census than all other area agencies combined. While rural AAAs lost over \$400,000 under the reallocation of funds to those suburban AAAs with increases in their elderly population, Baltimore City lost nearly \$700,000 in funding. While it is true that the City experienced a loss of

elderly persons from the 1990 to 2000 Census, it continues to hold the largest proportion of poor (31.6%) and minority poor (49.6%) elderly in the State. Finally, the amount of federal Older Americans Act awarded to Maryland may be reduced due to Congress' action on reducing discretionary spending to support the war and Katrina relief efforts, necessitating more hold harmless funding in FFY 06 than was needed in FFY 05.

Other Issues:

- ***“MDoA should explain to the committees how the assessment of need has changed so dramatically in the past couple years”.***

The reduction in the Department's ability to meet estimated need has occurred for two reasons.

1. The Department's budget has been reduced for the three-year period prior to the proposed FY 07 budget year. Due to the State's budget crisis, funding for programs serving the core population in need, frail elders, was reduced.
2. The estimate of the number of elderly disabled requiring assistance for fiscal years 2004-2006 was based on Census data used by UMBC for the 1990 Census (the UMBC work was done in August 2001, before the 2000 Census data for disabled persons became available). When UMBC updated its estimate of need in August 2005 it used Census data from 2000, which had increased since 1990.

- ***Regarding Employment and Training for Seniors “the Department should explain how the goals for fiscal year 2006 and 2007 will be met”.***

About a year ago, the U.S. Department of Labor issued revised requirements for the Older Workers program, which made income eligibility more restrictive and increased the mandated placement rate for workers being trained in the program. These changes have made it extremely difficult to recruit seniors who are income eligible and made it nearly impossible to reach placement targets with a restricted, and job limited pool of workers. To be blunt, it is highly unlikely that the Department will be able to achieve its goals unless changes are made to the Older Workers program. (One of twelve Resolutions developed by Maryland Delegates to the 2005 White House Conference on Aging called for returning this program to its earlier income eligibility levels and recognizing the community service goal. This issue was voted by the WHCoA as the 14th ranked priority of fifty Resolutions adopted.

- ***Fund Distribution Pursuant to the Federal Older Americans Act – “...the Department should inform the committee about how the federal award affects the need for hold harmless funds. Also, the Department should explain to the committees the plans for establishing a funding formula for fiscal 2008.”***

Responses to Analyst
Department of Aging

The Department has not yet received the award for FFY 2006 from the Administration on Aging. Until we do it is not possible to discuss the impact on hold harmless funding. As noted earlier, we may receive less funding in FF06, due to an across the board reduction in discretionary spending by Congress to fund the War and Katrina disaster aid.

The Department will begin working with our partners, the 19 Area Agencies on Aging, to develop a funding formula in time for the FY 2008 budget hearing. The process will start soon after the end of this year's budget deliberations.

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Audit Findings

The Maryland Department of Aging was audited for the period between November 5, 2001 and January 11, 2005. The auditors made eleven (11) findings and recommendations in their report, and even before the report was finalized the department had taken steps that completely addressed six of the findings. Subsequent to the Final Report, the Department implemented policy changes that addressed the remaining five items. We are confident that all the items identified by the auditors have been addressed. I want to take a moment to discuss two of the findings -- finding #1 that addresses the issue of background checks for personal care aides in the Medicaid Older Adults Waiver, and finding #6 dealing with duplicate payments to assisted living providers.

In finding number 1, the auditors stated we did not assure that background checks are obtained for all personal care aides. Background checks are conducted using the Maryland Criminal Justice Information Service. There are over 2,000 personal care aides providing services to nearly 3,000 Waiver beneficiaries. There are 90 personal care agencies employing about one half of these 2,000 aides. We can assure you that background checks are obtained for all self-employed aides, and that 100% of all agency-employed aides have obtained background checks upon the agency's initial enrollment in the Waiver. The issue lies with subsequent hires by the 90 agencies and the extraordinarily high turnover rates among agency employees. The Department is now requiring all agencies to submit monthly reports certifying employee credentials. In addition, we have started conducting site visits and any agency found to be out of compliance is reviewed every month until compliance is achieved. Further, agencies

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with employees who are not in compliance are sent a letter from the department detailing who those employees are and which credentials, including CJIS reports, are lacking.

Sanctions are imposed on agencies that fail to report or remain out of compliance. These sanctions can include withholding payments, recovery of funds for payments made to improperly credentialed employees, and finally, referral to the Department of Health and Mental Hygiene's Office of Healthcare Quality or the Medicaid Fraud Unit of the Maryland Attorney General's Office. We take this matter very seriously and we believe that action we have taken will result in full compliance with our standards.

In finding number 6, the auditors found that Department was not adequately pursuing duplicate payments to providers by the Area Agencies on Aging under the Older Adults Waiver and the Assisted Living Subsidy program.

The duplication of payments occurs when a senior in the Subsidy program applies for the Waiver and Assisted Living Subsidy payments continue while Waiver eligibility is being determined. Waiver eligibility determinations can take several weeks and some cases months to complete. During that time the individual remains in the Assisted Living Subsidy. When Waiver eligibility is determined, Medicaid retroactively applies the date of eligibility back to the day the waiver application was submitted and pays the provider back to that date for services delivered. Consequently it appears that duplicate payments

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have been made. It should be noted that at no time does the provider receive Waiver and Subsidy payments simultaneously.

Since 2001, when the Waiver was first implemented, the Department has reduced the average Waiver eligibility determination time from over six months to about six weeks, dramatically reducing the number and amount of duplicate payments. In November, we told the Joint Audit Committee in a follow-up letter, that MDoA had quantified the remaining balance owed by assisted living providers at \$172,878. Since that time, an additional \$50,000 has been recovered.

We expect to be able to collect more, but we face the prospect that some will be not be collectable because providers have closed or billing records kept by the Area Agencies are insufficient to establish a paper trail.

Finally, the Department is working with the Area Agencies to improve record keeping methods and amending financial review procedures to capture duplicate payment information to improve our ability to identify duplicate payments to providers. If those providers fail to respond to attempts to recover those payments, we will report them to the Attorney General's Medicaid Fraud Unit, the Department of Health and Mental Hygiene's Medicaid Recovery Unit, and/or the Department of Budget and Management's Central Collections Unit.